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WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

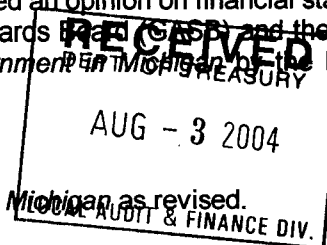
RECEIVED
GENERAL PURPOSE FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
AUG - 3 2004
Year Ended March 31, 2004

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name White Cloud Area Fire Department	County Newaygo
Audit Date March 31, 2004	Opinion Date July 12, 2004	Date Accountant Report Submitted to State: July 12, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan, as revised, of the Michigan Department of Treasury.



We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan*, as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature <i>Campbell, Kusterer & Co., P.C.</i>			

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT

July 12, 2004

To the Fire Board
White Cloud Area Fire Department
Newaygo County, Michigan

We have audited the accompanying general purpose financial statements of the White Cloud Area Fire Department, Newaygo County, Michigan, as of March 31, 2004, and for the year then ended as listed in the table of contents. These general purpose financial statements are the responsibility of the White Cloud Area Fire Department's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the White Cloud Area Fire Department, Newaygo County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purposes of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the White Cloud Area Fire Department, Newaygo County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS EXHIBIT A
March 31, 2004

	<u>Governmental Fund Types</u>			<u>Account Group</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>General Fixed Assets</u>
<u>Assets</u>				
Cash in bank	868 42	21 889 71	195 344 42	-
Due from other funds	722 70	-	722 70	-
Vehicles	-	-	-	541 707 60
Equipment	-	-	-	99 122 71
Total Assets	<u>1 591 12</u>	<u>21 889 71</u>	<u>196 067 12</u>	<u>640 830 31</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	325 00	-	-	-
Due to other funds	<u>722 70</u>	<u>722 70</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1 047 70</u>	<u>722 70</u>	<u>-</u>	<u>-</u>
Fund equity:				
Investment in general fixed assets	-	-	-	640 830 31
Fund balances:				
Unreserved:				
Undesignated	<u>543 42</u>	<u>21 167 01</u>	<u>196 067 12</u>	<u>-</u>
Total fund equity	<u>543 42</u>	<u>21 167 01</u>	<u>196 067 12</u>	<u>640 830 31</u>
Total Liabilities and Fund Equity	<u>1 591 12</u>	<u>21 889 71</u>	<u>196 067 12</u>	<u>640 830 31</u>

The accompanying notes are an integral part of these financial statements.

Total
(Memorandum
Only)

218 102 55
1 445 40
541 707 60

99 122 71

860 378 26

325 00

1 445 40

1 770 40

640 830 31

217 777 55
858 607 86

860 378 26

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

EXHIBIT B

Year Ended March 31, 2004

Page 1

	<u>Governmental Fund Types</u>			<u>Total</u>
	<u>General</u>	<u>Special</u>	<u>Capital</u>	<u>(Memorandum</u>
		<u>Revenue</u>	<u>Projects</u>	<u>Only)</u>
Revenues:				
City of White Cloud	21 609 91	-	-	21 609 91
Township of Everett	43 685 10	-	-	43 685 10
Township of Lincoln	35 876 60	-	-	35 876 60
Township of Sherman	13 527 00	-	-	13 527 00
Township of Wilcox	24 276 43	-	-	24 276 43
Grant revenue	4 250 00	-	-	4 250 00
Interest	585 56	-	1 411 17	1 996 73
Miscellaneous	<u>3 990 20</u>	<u>21 103 25</u>	<u>8 229 86</u>	<u>33 323 31</u>
Total revenues	<u>147 800 80</u>	<u>21 103 25</u>	<u>9 641 03</u>	<u>178 545 08</u>
Expenditures:				
Fire protection:				
Administrative Board:				
Per diem	3 695 00	-	-	3 695 00
Bookkeeper	6 180 00	-	-	6 180 00
Fire run reports	1 269 00	-	-	1 269 00
Supplies	1 133 21	-	-	1 133 21
Audit	1 000 00	-	-	1 000 00
Printing and publishing	64 63	-	-	64 63
Miscellaneous	1 063 92	-	-	1 063 92
Building and grounds:				
Supplies	134 80	-	-	134 80
Utilities	6 026 65	-	-	6 026 65
Repairs and maintenance	1 306 24	-	-	1 306 24
Miscellaneous	50 69	-	13 896 38	13 947 07
Fire Department:				
Salaries	4 039 00	-	-	4 039 00
Wages – firefighters	24 647 50	-	-	24 647 50
Supplies	22 132 21	10 290 23	-	32 422 44
Transportation	867 56	-	-	867 56

The accompanying notes are an integral part of these financial statements.

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES
Year Ended March 31, 2004

EXHIBIT B
Page 2

	<u>Governmental Fund Types</u>			<u>Total</u>
	<u>General</u>	<u>Special</u>	<u>Capital</u>	<u>(Memorandum</u>
		<u>Revenue</u>	<u>Projects</u>	<u>Only)</u>
Expenditures: (continued)				
Fire Department: (continued)				
Maintenance	2 485 37	-	-	2 485 37
Miscellaneous	2 886 51	-	-	2 886 51
Training	1 526 99	-	-	1 526 99
Insurance and fringes:				
Social security	3 082 00	-	-	3 082 00
Insurance	16 156 00	-	-	16 156 00
Capital outlay	<u>9 245 53</u>	<u>4 150 00</u>	<u>-</u>	<u>13 395 53</u>
Total expenditures	<u>108 992 81</u>	<u>14 440 23</u>	<u>13 896 38</u>	<u>137 329 42</u>
Excess (deficiency) of revenues over expenditures	<u>38 807 99</u>	<u>6 663 02</u>	<u>(4 255 35)</u>	<u>41 215 66</u>
Other financing sources (uses):				
Operating transfers in	161 73	2 526 57	38 685 55	41 373 85
Operating transfers out	<u>(38 685 55)</u>	<u>(2 688 30)</u>	<u>-</u>	<u>(41 373 85)</u>
Total other financing sources (uses)	<u>(38 523 82)</u>	<u>(161 73)</u>	<u>38 685 55</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	284 17	6 501 29	34 430 20	41 215 66
Fund balances, April 1	<u>259 25</u>	<u>14 665 72</u>	<u>161 636 92</u>	<u>176 561 89</u>
Fund Balances, March 31	<u>543 42</u>	<u>21 167 01</u>	<u>196 067 12</u>	<u>217 777 55</u>

The accompanying notes are an integral part of these financial statements.

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUNDS

EXHIBIT C

Year Ended March 31, 2004

	General Fund		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues			
City of White Cloud	22 814 00	21 609 91	(1 204 09)
Township of Everett	43 504 00	43 685 10	181 10
Township of Lincoln	36 180 00	35 876 60	(303 40)
Township of Sherman	13 527 00	13 527 00	-
Township of Wilcox	24 177 00	24 276 43	99 43
Grant revenue	-	4 250 00	4 250 00
Interest	900 00	585 56	(314 44)
Miscellaneous	<u>1 600 00</u>	<u>3 990 20</u>	<u>2 390 20</u>
Total revenues	<u>142 702 00</u>	<u>147 800 80</u>	<u>5 098 80</u>
Expenditures:			
Fire protection	104 502 00	99 747 28	(4 754 72)
Capital outlay	<u>18 200 00</u>	<u>9 245 53</u>	<u>(8 954 47)</u>
Total expenditures	<u>122 702 00</u>	<u>108 992 81</u>	<u>(13 709 19)</u>
Excess (deficiency) of revenues over expenditures	<u>20 000 00</u>	<u>38 807 99</u>	<u>18 807 99</u>
Other financing sources (uses):			
Operating transfers in	-	161 73	161 73
Operating transfers out	<u>(34 273 82)</u>	<u>(38 685 55)</u>	<u>(4 411 73)</u>
Total other financing sources (uses)	<u>(34 273 82)</u>	<u>(38 523 82)</u>	<u>(4 250 00)</u>
Excess (deficiency) of revenues over expenditures and other uses	<u>(14 273 82)</u>	<u>284 17</u>	<u>14 557 99</u>
Fund balances, April 1	<u>14 273 82</u>	<u>259 25</u>	<u>(14 014 57)</u>
Fund Balances, March 31	<u>-</u>	<u>543 42</u>	<u>543 42</u>

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Funds</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>20 865 00</u>	<u>21 103 25</u>	<u>238 25</u>
<u>20 865 00</u>	<u>21 103 25</u>	<u>238 25</u>
12 615 00	10 290 23	(2 324 77)
<u>4 150 00</u>	<u>4 150 00</u>	<u>-</u>
<u>16 765 00</u>	<u>14 440 23</u>	<u>(2 324 77)</u>
<u>4 100 00</u>	<u>6 663 02</u>	<u>2 563 02</u>
-	2 526 57	2 526 57
<u>(2 526 57)</u>	<u>(2 688 30)</u>	<u>(161 73)</u>
<u>(2 526 57)</u>	<u>(161 73)</u>	<u>2 364 84</u>
1 573 43	6 501 29	4 927 86
<u>7 826 57</u>	<u>14 665 72</u>	<u>6 839 15</u>
<u>9 400 00</u>	<u>21 167 01</u>	<u>11 767 01</u>

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of White Cloud Area Fire Department, Newaygo County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Fire Department contain all the Fire Department funds and account groups that are controlled by or dependent on the Fire Department's executive or legislative branches.

The reporting entity is the White Cloud Area Fire Department. The Fire Department is governed by an elected Fire Board. As required by generally accepted accounting principles, these financial statements present the Fire Department as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund

This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Capital Projects Fund

This fund is used to account for the acquisition or construction of major capital facilities.

Account Group

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of payments from other local governmental units. Payments from other local governmental units are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Fixed Assets

Purchases of general fixed assets are recorded as expenditures in the General Fund at the time of purchase. Such assets are capitalized at cost in the General Fixed Assets Group of Accounts.

Investments

Investments are stated at market.

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Receivables

Receivables have been recognized for all significant amounts due to the Fire Department. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventory is considered immaterial and is not recorded.

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year the proposed budget for each budgetary fund is submitted to the Fire Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by the majority vote of the Fire Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Fire Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Fire Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts, and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Fire Department provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Fire Department to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Fire Board has designated three banks for the deposit of Fire Department funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Fire Department's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 2 – Deposits and Investments (continued)

	<u>Carrying Amounts</u>
Total Deposits	<u>218 102 55</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	181 371 70
Uninsured and Uncollateralized	<u>44 841 43</u>
Total Deposits	<u>226 213 13</u>

The White Cloud Area Fire Department did not have any investments as of March 31, 2004.

Note 3 – Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Vehicles	541 707 60	-	-	541 707 60
Equipment	<u>87 713 29</u>	<u>11 409 42</u>	<u>-</u>	<u>99 122 71</u>
Totals	<u>629 420 89</u>	<u>11 409 42</u>	<u>-</u>	<u>640 830 31</u>

Note 4 – Lease

The Fire Department leases the fire building from the City of White Cloud at an annual cost of \$1.

Note 5 – Deferred Compensation Plan

The Fire Department has no deferred compensation plan.

Note 6 – Pension Plan

The Fire Department has no pension plan.

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 7 – Risk Management

The Fire Department is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Fire Department has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Interfund Receivables and Payables

The amounts of interfund receivables and payables as of March 31, 2004, are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Capital Acquisition	722 70	General	722 70
General	<u>722 70</u>	Budget Stabilization	<u>722 70</u>
Total	<u>1 445 40</u>	Total	<u>1 445 40</u>

Note 9 – Transfers In and Transfers Out

For the fiscal year ended, March 31, 2004, the Fire Department made the following interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Building	2 526 57	Auxiliary	2 526 57
Capital Acquisition	38 685 55	General	38 685 55
General	<u>161 73</u>	Budget Stabilization	<u>161 73</u>
Total	<u>41 373 85</u>	Total	<u>41 373 85</u>

Note 10 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS

EXHIBIT D

March 31, 2004

	<u>Building</u>	<u>Budget Stabilization</u>	<u>Firemen</u>	<u>Auxiliary</u>	<u>Total</u>
<u>Assets</u>					
Cash in bank	<u>9 162 94</u>	<u>7 722 70</u>	<u>3 315 03</u>	<u>1 689 04</u>	<u>21 889 71</u>
Total Assets	<u>9 162 94</u>	<u>7 722 70</u>	<u>3 315 03</u>	<u>1 689 04</u>	<u>21 889 71</u>
<u>Liabilities and Fund Equity</u>					
Liabilities:					
Due to other funds	<u>-</u>	<u>722 70</u>	<u>-</u>	<u>-</u>	<u>722 70</u>
Total liabilities	<u>-</u>	<u>722 70</u>	<u>-</u>	<u>-</u>	<u>722 70</u>
Fund equity:					
Fund balances:					
Unreserved					
Undesignated	<u>9 162 94</u>	<u>7 000 00</u>	<u>3 315 03</u>	<u>1 689 04</u>	<u>21 167 01</u>
Total fund equity	<u>9 162 94</u>	<u>7 000 00</u>	<u>3 315 03</u>	<u>1 689 04</u>	<u>21 167 01</u>
Total Liabilities and Fund Equity	<u>9 162 94</u>	<u>7 722 70</u>	<u>3 315 03</u>	<u>1 689 04</u>	<u>21 889 71</u>

WHITE CLOUD AREA FIRE DEPARTMENT
Newaygo County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS

EXHIBIT E

Year Ended March 31, 2004

	<u>Building</u>	<u>Budget Stabilization</u>	<u>Firemen</u>	<u>Auxiliary</u>	<u>Total</u>
Revenues:					
Miscellaneous	<u>9 724 93</u>	<u>161 73</u>	<u>1 745 75</u>	<u>9 470 84</u>	<u>21 103 25</u>
Total revenues	<u>9 724 93</u>	<u>161 73</u>	<u>1 745 75</u>	<u>9 470 84</u>	<u>21 103 25</u>
Expenditures:					
Fire protection:					
Supplies	<u>3 627 68</u>	<u>-</u>	<u>540 00</u>	<u>6 122 55</u>	<u>10 290 23</u>
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>4 150 00</u>	<u>4 150 00</u>
Total expenditures	<u>3 627 68</u>	<u>-</u>	<u>540 00</u>	<u>10 272 55</u>	<u>14 440 23</u>
Excess (deficiency) of revenues over expenditures	<u>6 097 25</u>	<u>161 73</u>	<u>1 205 75</u>	<u>(801 71)</u>	<u>6 663 02</u>
Other financing sources:					
Operating transfers in	<u>2 526 57</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2 526 57</u>
Operating transfers out	<u>-</u>	<u>(161 73)</u>	<u>-</u>	<u>(2 526 57)</u>	<u>(2 688 30)</u>
Total other financing sources	<u>2 526 57</u>	<u>(161 73)</u>	<u>-</u>	<u>(2 526 57)</u>	<u>(161 73)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>8 623 82</u>	<u>-</u>	<u>1 205 75</u>	<u>(3 328 28)</u>	<u>6 501 29</u>
Fund balances, April 1	<u>539 12</u>	<u>7 000 00</u>	<u>2 109 28</u>	<u>5 017 32</u>	<u>14 665 72</u>
Fund Balances, March 31	<u>9 162 94</u>	<u>7 000 00</u>	<u>3 315 03</u>	<u>1 689 04</u>	<u>21 167 01</u>

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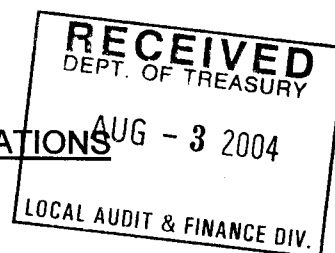
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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS



July 12, 2004

To the Fire Board
White Cloud Area Fire Department
Newago County, Michigan

We have audited the financial statements of the White Cloud Area Fire Department, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the White Cloud Area Fire Department in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Fire Board
White Cloud Area Fire Department
Newago County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Fire Board
White Cloud Area Fire Department
Newago County, Michigan

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the White Cloud Area Fire Department will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Fire Department will be required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Fire Department's financial statements and this communication of these matters does not affect our report on the Fire Department's financial statements, dated March 31, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants